

Message Text

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ACTION EB-04

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C O N F I D E N T I A L TOKYO 12120

LIMDIS GREENBACK

PASS TREASURY FOR CROSS AND WIDMAN

E.O. 11652: GDS

TAGS: EFIN, JA

SUBJECT: MOF COMMENTS ON PETRODOLLAR DEPOSITS

REF: TOKYO 12037

1. SUMMARY: MOF VMIN YOSHIDA WOULD PROVIDE FINATT WITH LITTLE ADDITIONAL DETAILS ON DEPOSITS OF PETRODOLLARS. YOSHIDA WAS SILENT ON QUESTION OF USE OF PROCEEDS BUT FINATT BELIEVES THEY WILL MERELY BE ADDED TO OFFICIAL RESERVES. OPPOSITION PARTY MEMBERS IN DIET COMMITTEE MAY DEMAND FURTHER DETAILS WHICH MOF MAY BE OBLIGED TO DISCLOSE. END SUMMARY.

2. FINATT HAD REQUESTED APPOINTMENT WITH YOSHIDA PRIOR TO NEWS REPORTS TRANSMITTED IN REFTEL. WHEN ASKED IF HE COULD MAKE ANY ADDITIONAL COMMENTS ON SUBJECT, YOSHIDA SAID MIDDLE EASTERN COUNTRIES INSIST ON CONFIDENTIALITY REGARDING THEIR INVESTMENTS AND RECENT NEWS LEAKS HAVE BEEN HIGHLY EMBARRASSING TO MOF. OFFICIAL (FUJIOKA) WAS CORRECT IN NOT WILLING TO COMMENT (BOJ SOURCES ALSO REFUSED TO COMMENT YESTERDAY). NEVERTHELESS, YOSHIDA WILLING TO CONFIRM TO FINATT THAT \$1 BIL IN MEDIUM-TERM DEPOSITS FROM ONE MIDDLE EAST COUNTRY WOULD BE RECEIVED
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IN MID-SEPT AND OCT WITH GOJ GUARANTEE AND RATE WOULD BE

BELOW MARKET (NIHON KEIZAI REPORTED P.M. SEPT 17 THAT RATE WAS 10.5 PERCENT NOT 10 PERCENT REPORTED IN A.M. NEWS STORY - SEE REFTEL). THUS FINATT BELIEVES DETAILS OF NEWS REPORTS GENERALLY QUITE ACCURATE.

3. FINATT ALSO UNSUCCESSFUL IN OBTAINING COMMENTS ON REPORTED GOJ USE OF PETRODOLLAR DEPOSITS (SEE REFTEL AND PARA 4 BELOW). YOSHIDA DID SAY THAT MOF WAS NOT PLANNING ANY ALTERATION IN ITS EXCHANGE CONTROLS REGARDING BOTH OUTFLOWS AND INFLOWS. THUS MOF WOULD CONTINUE TO PERMIT BRANCHES OF FOREIGN BANKS TO INCREASE SWAP LINES, CONTINUE TO PERMIT IMPACT LOANS, AND ALLOW JAPANESE BANKS AND COMPANIES TO BORROW ABROAD, REPLIED YOSHIDA. FINATT CONCLUDES FROM THIS CONVERSATION THAT PROCEEDS OF DEPOSITS MAY WELL BE ADDED TO OFFICIAL FOREIGN EXCHANGE HOLDINGS. NEWS REPORT BELOW OF DEPOSITING PROCEEDS WITH BANKS AND WITHDRAWING EQUIVALENT OF PREVIOUS DEPOSITS MAY SIMPLY BE WAY TO REDUCE INTEREST BURDEN OF BANKS ON THEIR OUTSTANDING MOF DEPOSITS. FINATT WILL SEEK TO CLARIFY BUT BELIEVES FACTOR IN MOF SILENCE IS LACK OF EXCHANGE OF INFORMATION SYSTEM AMONG GROUP OF FIVE ON AMOUNTS OF PETRODOLLARS GOVERNMENTS ARE RECEIVING.

4. BEGIN UNCLASSIFIED.

FOLLOWING IS TRANSLATION OF ANOTHER JAPANESE NEWS STORY IN P.M. SEPT 17 (NIHON KEIZAI SHINBUN): MOF NOTIFIED JAPANESE FOREX BANKS THAT IT WILL DEPOSIT ON SEPT 18 AND OCT 18, RESPECTIVELY, \$500 MIL FOR FIVE YEARS AT ANNUAL INTEREST RATE OF 10.5 PERCENT WHICH ARE FUNDS OBTAINED FROM AN OIL PRODUCING COUNTRY. AT THE SAME TIME, MOF WILL WITHDRAW ON TWO DIFFERENT DATES A TOTAL OF \$1 BIL IN FUNDS PREVIOUSLY DEPOSITED WITH JAPANESE FOREX BANKS FOR FOUR-MONTH PERIOD. THEREFORE, TOTAL FOREX DEPOSITS OF MOF WITH BANKS REMAINS UNCHANGED. BUT THIS WILL GREATLY IMPROVE ABILITY OF JAPANESE BANKS TO RAISE FUNDS IN THE INTERNATIONAL MONEY MARKETS. MOF DECISION TO WITHDRAW SOME OF ITS FOREX DEPOSITS IMPLIES JAPANESE BANKS HAVE SUCCESSFULLY BEEN ROLLING OVER THEIR EURO-DOLLAR BORROWINGS. MOF FEELS IT IS BETTER TO INCREASE ITS

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OFFICIAL RESERVE HOLDINGS SO AS TO MEET FUTURE DEMANDS OF FOREIGN EXCHANGE. END UNCLASSIFIED.
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Message Attributes

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